

Doctorate in Business Administration (D.B.A) Specialization in Project Management

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Reflective Summary Project Risk Management

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### **Risk Management Overview**

Project risk management is necessary to run successful projects. Poor risk planning can cause the project to go over budget, cause delays in time, and put the project at risk (Kerzner, 2009). Some companies look at risks or constraints that would affect the project, scope, timeline, cost, and quality of the project (Brewer & Dittman, 2009). Hillson (2003) defined risk as any uncertainty that would affect one or more objectives if it occurs. Risks can be positive or negative or viewed as opportunities or threats. Positive risks are like opportunities and taking a risk can have a positive impact on the project (Nokes & Kelly, 2008).

Project risk management describes the processes and methods required to identify, quantify, and control risks associated with the project (Pmbok, 2008). As Hillson (2003) stated, risk management, allows organizations to prepare and plan to manage risk effectively with both opportunities and threats. The main objectives of risk management are to increase the probability and impact of positive outcomes and decrease the probability and impact of negative outcomes (Pmbok, 2008).

### **Risk Management Process**

Risk management includes planning, identifying, analyzing, responding, monitoring, and controlling risks (Kerzner, 2009). The steps in the risk management process are risk planning, risk identification, qualitative and quantitative risk assessment, risk response planning, risk

monitoring, control, and review (Pmbok, 2008). The goal in the risk management process is to consider opportunity as a part of the entire process and not an option alongside threats (Hillson, 2003).

The risk planning process is the strategy to develop a comprehensive risk management strategy, determining the execution methods, and planning for resources (Kerzner, 2009). The risk planning process is very important as careful planning enhances the probability of success for the other risk management processes (Pmbok, 2008). Project managers need to understand the output of the risk planning is the risk management plan (Kerzner, 2009). The risk management plan should cover a review of the requirements for the project and should include identified risks of both threats and opportunities.

Risk identification is the process of identifying and documenting potential risks to the project (Pmbok, 2008). Risk identification, focuses on identifying which risks will affect a project (Pmbok, 2008). Project teams should continuously look at the risk identification during the project life cycle for new issues (Brewer & Dittman, 2009). Project teams can use techniques or methods to identify risks, such as brainstorming, interviews from experts, past project history, SWOT analysis, and Delphi Technique (Pmbok, 2008).

Risk assessment allows effective management of identified risk by determining probability of occurrences (Kerzner, 2009). Project managers can use risk assessment to look at the possible actions to deal with identified priority risks and opportunities as well (Hillson, 2003). Placing risk into priorities makes the process manageable to identify, analyze, and respond to project risk (Hillson, 2003). Using quantitative and qualitative analysis process to

estimate the probability of risk occurrences and determining the levels of the approved risks (Pmbok, 2008). Project managers can focus on identifying opportunities as well threats using quantitative and qualitative analysis.

Risk response planning allows project managers to look at options and actions to close out risks (Pmbok, 2008). Project managers need to focus on opportunities during the risk response phase, to exploit opportunities as they arise. Project managers can use several strategies to manage risks and maximize opportunities. Strategies to manage risks are to avoid, transfer, mitigate, or accept the risks (Pmbok, 2008). Additionally, looking at opportunities for risks include acceptance of the risks, enhance and exploit the risks, or share the risks (Kerzner, 2009).

Monitoring and controlling risks is the process of implementing, tracking, monitoring, and identifying new risks (Schwalbe, 2010). Risk monitoring and control, analyzes, and evaluates identified risks throughout the project lifecycle, making sure they do not affect the project (Pmbok, 2008). Some techniques used to monitor and control risks are, earned value to monitor project cost performance, performance metrics, and schedule performance monitoring (Kerzner, 2009). Using these techniques could reveal additional opportunities while monitoring and controlling risks.

Top management must support the use of risk management principles with projects, to benefit other projects. Project managers need to close the risk to minimize or eliminate identified project risks (Hillson, 2003). Documenting risks as lessons learned during the project is important for future project use (Kerzner, 2009). Additionally, project manager can also document opportunities to use for future projects.

### **Conclusion**

Organizations must recognize that opportunities exist in projects and need to manage them proactively to achieve project success (Hillson, 2003). Proper risk management is proactive rather than reactive (Kerzner, 2009). Proactive organizations can deal with potential issues with projects and focus on future opportunities. Project management teams have to identify opportunities, during the risk identification, assessment, analysis, planning, monitoring, and controlling process.

Risk management plans need to identify and analyze opportunities (Hillson, 2003). During the risk management process, critical success factors, tool, techniques, and training need to implement opportunities and threats (Hillson, 2003). Additionally, the risk attitudes of the people involved with the project and the corporate culture need to focus on opportunity in risk management (Hillson, 2003). Organizations that utilize an inclusive approach to risk management that addresses both threats and opportunities should see some practical benefits arise as a result.

### References

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